

STATE OF VERMONT  
PUBLIC SERVICE BOARD

Docket No. 7745

Investigation into Central Vermont Public Service     )  
Corporation's Municipal Street and Highway Lighting     )  
Service (Rate 06)     )

AND

Tariff Filing No. 8233

In Re: Tariff filing of Central Vermont Public Service     )  
Corporation requesting revisions to its Municipal Street     )  
and Highway Lighting Rate, to take effect on a service-     )  
rendered basis commencing July 18, 2011     )

Order entered: 7/15/2011

**ORDER OPENING INVESTIGATION**  
**AND NOTICE OF PREHEARING CONFERENCE**

**I. INTRODUCTION**

In this Order, for the reasons set forth below, we allow Central Vermont Public Service Corporation ("CVPS") to modify its tariff for municipal street and highway lighting service (Rate 6) to include lease options for six new Light-Emitting Diode ("LED") fixtures and prohibit the installation of additional Metal Halide fixtures, effective with service rendered on and after July 18, 2011. We also open an investigation into this tariff pursuant to 30 V.S.A. §§ 209 and 218.

**II. BACKGROUND**

Newly enacted 30 V.S.A. § 218(g) requires Vermont electric distribution utilities to have in place a rate schedule for street lighting that provides an option under which efficient streetlights, including LEDs, are installed on company-owned fixtures, and a separate option under which customers may own and install efficient street lights, including LEDs, on customer-owned fixtures. Public Act No. 47 (2011 Vt., Bien. Sess.) requires Vermont electric distribution

utilities to file with the Public Service Board ("Board") proposed modifications to their street lighting tariffs that comply with 30 V.S.A. § 218(g) no later than July 25, 2011.

On June 2, 2011, CVPS filed proposed changes to its street lighting tariff to be effective with service rendered on and after July 18, 2011 (Tariff Filing No. 8233). These modifications would add lease options for six new LED fixtures and prohibit the installation of additional Metal Halide fixtures now that a more energy efficient option is available. According to CVPS, in order to promote the adoption of energy efficient LED technology by municipalities, the proposed rates for the new lease options include only a portion of the allocated costs assigned to the street lighting rate classes in its most recently filed fully allocated embedded cost-of-service study.

The Board received several public comments regarding CVPS's proposed revised street lighting tariff. These comments express concern with the magnitude of CVPS's existing rates for customers who own their own streetlights (these existing rates are part of Rate 6). In particular, commenters assert that it is unfair that the new LED lease rates are materially lower than the cost for customers who choose to own their fixtures. In addition, commenters contend that the proposed tariff could put towns that have received federal stimulus grants to purchase LED streetlights through the Energy Efficiency and Conservation Block Grant Program ("EECBG") at risk of violating their grant agreements which require that the purchase result in a positive return on investment. Commenters also state that Green Mountain Power Corporation's ("GMP") rates for both leased LEDs and customer-owned fixtures are lower than CVPS's proposed rates; these commenters request that the Board adopt GMP's rates for CVPS.

On July 6, 2011, at the Board's request, CVPS filed a response to the public comments received by the Board. CVPS states that the issues raised regarding the rates for customer-owned fixtures were addressed by the Board in Docket 7085 (an investigation into the terms and conditions of CVPS's street lighting service), and that it is not proposing any changes to its existing rates for customer-owned fixtures. CVPS opposes an investigation regarding an existing service offering not directly related to the present filing, and does not support eliminating overhead costs included in the rates for customer-owned fixtures. CVPS asserts that, based on its conversation with the Grants Manager for the EECBG program, only two towns in CVPS's

service territory are seeking grant money to purchase LED fixtures and own their own street lighting facilities under the municipal ownership provision of CVPS's street lighting tariff. CVPS is skeptical that these grants are in jeopardy because it believes a comparison between the cost of town-owned LED fixtures, including CVPS's rate for electric service to such fixtures, and the cost of existing Mercury Vapor lights, would result in a positive business case.

On July 7, 2011, the Vermont Department of Public Service ("DPS"), pursuant to 30 V.S.A. § 225, informed the Board that it had reviewed the filing, and recommended that it be allowed to take effect without investigation or hearing. In the DPS's filing, it asserts that CVPS has discounted the new LED bundled rate that will remain in effect only until CVPS conducts a new rate design study in conjunction with its Smart Grid implementation. Absent this discounting, according to the DPS, CVPS's new LED rates would be higher than the existing rates for the less efficient fixtures. The DPS also recognizes that the proposed new LED lease rates will be lower than the rates for customers that own their own fixtures. The DPS asserts that the new LED lease rates proposed by CVPS will stimulate the adoption of LED street lighting programs that are encouraged by state energy policy, and by Efficiency Vermont.<sup>1</sup>

### **III. DISCUSSION AND CONCLUSION**

Section 218(g) of Title 30 requires electric utilities to put in place rates for leasing LED street lighting fixtures, if their rates do not already provide this option. CVPS's current street lighting tariff does not include an option for leasing LED fixtures; its proposed tariff would bring it into compliance with this new statute. Furthermore, given that the statute requires utilities to file proposed tariff modifications by later this month, it is clear that the legislature desired any new street lighting rates to be implemented quickly. For this reason, we are allowing CVPS's proposed modifications to its Rate 6 street lighting tariff to go into effect with service rendered on or after July 18, 2011.

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1. As noted by the DPS, Efficiency Vermont has a program to encourage the adoption of LED lighting throughout the state. Through this program, Efficiency Vermont reimburses utilities for any unrecovered costs in changing out existing street lighting fixtures and provides towns and cities with detailed efficient street lighting design proposals.

However, we are concerned that, as modified, the tariff charges customers who own and maintain their own LED fixtures more than it does customers who lease the same fixtures from CVPS. We recognize that this discrepancy occurs because CVPS has reduced the amount of allocated costs assigned to the LED lease rates, and that both CVPS and the DPS assert such discounting is appropriate in order to encourage the adoption of LED streetlights. As the DPS notes, the adoption of energy efficient streetlights is consistent with state energy policy.

On its face, however, this rationale would appear to support a similar reduced allocation of costs charged to customers who own and maintain their LED fixtures. That is, if it is in the public good to encourage the adoption of energy efficient streetlights by discounting rates for service to those fixtures, it would seem such a discount should be applied regardless of who owns the fixtures.

We do not find it appropriate to wait to address this issue until CVPS conducts its next rate design study. The DPS refers to a study that CVPS will be conducting in conjunction with its Smart Grid implementation; according to information provided by CVPS in Docket 7612, such rate design work will be conducted in 2012 and 2013. Thus, it could be more than two years before the rate design study is completed and the discrepancy in rates for customers who own versus lease LED lights is addressed. This timeframe is too long.

Therefore, we are opening an investigation pursuant to 30 V.S.A. § 227(b) into CVPS's street lighting tariff. We expect this investigation will focus on issues associated with the discrepancy between CVPS's rates for leased LEDs and for fixtures owned and maintained by customers. This will permit us to determine whether further modification of CVPS's tariff is necessary to address the discrepancy.

Finally, we note that CVPS's proposed tariff allows it to schedule installation of new leased LED fixtures at its discretion, and to limit the number of leased LED fixtures that will be installed in each year. However, some customers have received grants for the installation of new streetlights that include deadlines for expenditure of the grant funds. As a condition of our approval of CVPS's proposed tariff, we require CVPS to prioritize any streetlight installation work performed for towns that have received federal stimulus funds or other grants for new

streetlights (regardless of whether the lights will be leased from CVPS or owned by the towns) such that the work will be completed within the timeframes required by the grants.

#### **IV. ORDER**

IT IS HEREBY ORDERED, ADJUDGED AND DECREED by the Public Service Board of the State of Vermont that:

1. Central Vermont Public Service Corporation's ("CVPS") modifications to its tariff for municipal street and highway lighting service (Rate 6) that were filed with the Board on June 2, 2011, shall take effect with service rendered on and after July 18, 2011.

2. CVPS shall prioritize any streetlight installation work performed for towns that have received federal stimulus funds or other grants for new streetlights (regardless of whether the lights will be leased from CVPS or owned by the towns) such that the work will be completed within the timeframes required by the grants.

3. Pursuant to 30 V.S.A. §§ 209 and 218, an investigation is opened into CVPS's existing tariff for municipal street and highway lighting service (Rate 6).

4. Pursuant to 30 V.S.A. § 8, Bridgette Remington, Staff Attorney, is hereby appointed to serve as the Hearing Officer in this proceeding.

5. Pursuant to 30 V.S.A. § 10, a Prehearing Conference will be held in this matter on Tuesday, August 2, 2011, commencing at 10:00 A.M., at the Public Service Board Hearing Room, Third Floor, People's United Bank Building, 112 State Street, Montpelier, Vermont.

Dated at Montpelier, Vermont, this 15<sup>th</sup> day of July, 2011.

<u>s/James Volz</u>	)	
	)	PUBLIC SERVICE
	)	
<u>s/David C. Coen</u>	)	BOARD
	)	
	)	OF VERMONT
<u>s/John D. Burke</u>	)	

OFFICE OF THE CLERK

FILED: July 15, 2011

ATTEST: s/Susan M. Hudson  
Clerk of the Board

*NOTICE TO READERS: This decision is subject to revision of technical errors. Readers are requested to notify the Clerk of the Board (by e-mail, telephone, or in writing) of any apparent errors, in order that any necessary corrections may be made. (E-mail address: psb.clerk@state.vt.us)*